

VZCZCXRO7261
RR RUEHAG RUEHDF RUEHIK RUEHLZ
DE RUEHPG #0119 0371536
ZNR UUUUU ZZH
R 061536Z FEB 06
FM AMEMBASSY PRAGUE
TO RUEHC/SECSTATE WASHDC 6909
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHAAA/WHITE HOUSE WASHINGTON DC

UNCLAS PRAGUE 000119

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TREASURY FOR OASIA ANNE ALIKONIS

E.O. 12958: N/A

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SUBJECT: CZECH REPUBLIC: FOREIGN TRADE SURPLUS FIRST IN
HISTORY AND FIRST AMONG THE VISEGRAD-4

REF: A. 05 PRAGUE 1677

[1](#)B. 05 PRAGUE 1686

[1](#)1. The Czech Republic posted a trade surplus in 2005 for the first time in its history, thanks to its automobile industry surge in export-oriented foreign direct investments (FDI). Local media is highlighting that the Czech Republic is the first of the four new Central European members of the EU to show a trade surplus. Economists project a 2006 trade surplus of USD 2.5 to 3.2 billion, pointing out that economies in the main trading partner nations in the eurozone are gradually recovering and sales of Czech industrial producers are growing. More conservative analysts anticipate a trade surplus at least the first half of 2006, and say further developments will depend on the Czech crown exchange rate and the rate of economic recovery in the EU, the destination for 84 percent of all Czech exports.

[1](#)2. According to the Czech Statistical Office, the 2005 foreign trade balance ended with a surplus of USD 1.75 billion (CZK 42 billion), reflecting a 8.6 percent increase in exports and 4.6 percent increase in imports. In 2004, the trade balance was a deficit of over USD 1 billion (CZK 26 billion). Analysts remarked that the year-end trade surplus shows the achievements of Czech industry and Czech exporters that are successful on EU markets despite the fast appreciating Czech currency and continuing weak consumer demand in Germany, its number one export market.

[1](#)3. BY INDUSTRY: Exports in machinery and transport equipment was the biggest source of the trade surplus (USD 78 billion), followed by manufactured goods. Skoda Auto and Toyota-Peugeot-Citroen Automobile (TPCA) continue to lead Czech exports. Trade deficit in chemicals and related products decreased slightly, while exports in mineral fuels, lubricants and related materials increased significantly (USD 1.7 billion).

[1](#)4. BY COUNTRY: Compared to 2004, the trade surplus with the EU member states increased by USD 2.4 billion while trade deficit with non-EU states decreased by USD 500 million in [1](#)2005. Specifically, the trade balance improved with France, the United States (by USD 67 million), Slovakia, and Germany. The trade balance deteriorated with the Netherlands, Russia, and China.

[1](#)5. According to both the Czech Ministry of Industry and Trade and the U.S. Department of Commerce statistics, the U.S. is the Czech Republic's twelfth largest export market and the

eleventh largest source of imports, at a volume of approximately USD 4 billion. The Czech Republic is the 62nd largest export market for the U.S. and the 29th largest source of imports. According to CzechInvest, foreign owned companies are transforming the Czech economy by employing 37 percent of the workforce in industry and generating 60 percent of total Czech exports. With 2005 FDI inflows at a record USD 10 billion (doubled from 2004), this trend is likely to continue, supporting Czech exports and strong GDP growth.

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